

Miscellaneous Tax Bill Draft 5.2 — Section by Section Summary

Sec.	Summary	Tax Type or Program
1	Repeal of denial of tax credits for S corporations. This is to provide the same treatment to S-corps as other pass-through entities. This section was added many years ago in response to a judicial decision.	Income Tax
2	Grants Department authority to investigate whether a bona fide landlord-tenant relationship exists for purposes of applying the higher PTT rate. Closes a loophole for certain transactions that should be subject to the higher rate.	Property Transfer Tax
3–4	PVR conducts valuation for unenrolled parcels in certain cases. This is to speed up the process of assessing land use change tax in certain situations so that taxpayers know how much is due sooner.	Land Use Change Tax; Current Use
5	Changes the calculation for payment to municipalities for municipal property taxes lost due to flooded or flood-prone properties taken off the grand list. The calculation now uses previous year tax rates instead of current year rates.	Municipal Grant List Stabilization Program
6	Adds provisions addressing cases where a communications service provider fails to submit an inventory to PVR for property valuation.	Property Valuation
7	Clarifies the treatment of CHIP sites to be the same as TIF districts for purposes of the equalization study.	Equalization Study; CHIP

Sec.	Summary	Tax Type or Topic
8	For purposes of the equalization study, requires PVR to use a 100 percent CLA when determining tax rates for municipalities that just completed a mass reappraisal.	Property Valuation; Equalization Study
9–10	Extends the Health IT Fund sunset five years to 2031.	Health IT Fund; Healthcare Claims Tax
11–14	Updates inflator references from NEEP to NIPA because NEEP no longer exists.	Inflaters Used in Education Financing
15	Allows a PTC to be calculated using 100 percent of the property tax liability of the party to a separation or divorce who is living in the homestead, even if the other party is still an owner.	Property Tax Credit
16	Aligns the estate tax filing threshold with the tax liability threshold so that taxpayers are not required to file a return when no tax is due.	Estate Tax
17	Extends the Down Payment Assistance Program to 2031 and increases the maximum total award amount for first-year credit allocations from \$250,000.00 to \$350,000.00.	Down Payment Assistance Program
18–19	Precludes Vermont’s participation in the federal tax credit program for contributions to scholarship granting organizations.	Federal Tax Credit for SGO Contributions
20	Amends the definition of “parcel” for purposes of the grand list so that it means a separate and sellable lot or piece of real estate, but only for purposes of mapping and per parcel fee payments.	Grand List Contents

Sec.	Summary	Tax Type or Topic
21–23	Limits the Department of Fish and Wildlife’s fee setting authority to licenses and tuition for certain uses and prohibits a license for public access. Repeals the Department’s regulation regarding fees for the use of Department lands and properties. Requires a report recommending fees to be charged after July 1, 2027.	Fish and Wildlife Fees
24–48	Grand list submission date moved to January 1.	Grand List
49	Removes statutory language empowering the Director of PVR to supervise the collection of delinquent taxes by municipalities.	Municipal Tax Collection
50–53	Has the following PVR expenses paid out of the PILOT Special Fund: lister and assessor training, the per parcel fee for appraisal costs and grand list maintenance, and the per parcel fee for municipal assistance with the equalization study.	PILOT Special Fund; PVR Expenses
54	Directs JFO to conduct a 10-year study on Vermont taxes, focusing on how Vermont’s taxes compare with other states and how Vermont taxes affect taxpayers of varying income levels. The study is contingent on a GF appropriation of \$100,000.00 to JFO to conduct the study.	JFO Study

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55	For Vermont income tax, decouples from the federal treatment for bonus depreciation on qualified production property, federal deductions for domestic research and experimental procedures for taxpayers with average gross receipts over \$31 million, federal deductions for foreign-sourced income, and income excluded from the sale of qualified small business stock. Also adds clarifying provisions relating to federal provisions that Vermont had previously decoupled from. Allows taxpayers to amortize domestic R&EP expenses over five years.	Income Tax
56–57	Adds clarifying language that makes sure Vermont apportionment uses the same modifiers when taxpayers owe taxes in multiple states and when a taxpayer only owes tax to Vermont.	Personal Income Tax Apportionment
58	Increases the Vermont research and development tax credit from 27 percent of the federal credit to 75 percent of the federal credit for expenditures that take place in Vermont.	Research and Development Tax Credit
59	Increases the amount of downtown and village center tax credits that can be awarded annually by \$1 million.	Downtown and Village Center Tax Credit
60–61	Links Vermont's income tax code to the federal code for 2025.	Income Tax; Annual Link Up

Sec.	Summary	Tax Type or Topic
62–63	Changes statutory distributions of meals and rooms tax and purchase and use tax revenues so that 27 percent of P&U revenue is deposited in the Education Fund (a change from one-third), 73 percent of P&U revenue is deposited in the transportation fund (a change from two-thirds), 29 percent of meals and rooms tax revenue is deposited in the Education Fund (a change from 25 percent), and 65 percent of meals and rooms tax revenue is deposited in the General Fund (a change from 69 percent).	Meals and Rooms Tax; Purchase and Use Tax; Transportation Fund; Education Fund; General Fund
64	<u>This act shall take effect on passage except:</u> (1) <u>Notwithstanding 1 V.S.A. § 214, Sec. 1 (credit for taxes paid in another state by an S corporation), Secs. 55–57 (decoupling from select provisions of IRC), and Secs. 60–61 (annual link-up) shall take effect retroactively on January 1, 2025, and shall apply to taxable years beginning on and after January 1, 2025.</u> (2) <u>Secs. 3 and 4 (current use; land use change tax) shall take effect on October 1, 2026.</u> (3) <u>Sec. 20 (grand list definition of parcel) shall take effect on April 1, 2027, and shall apply to grand lists lodged on and after that date.</u> (4) <u>Sec. 22 (Department of Fish and Wildlife rule on fees) shall take effect on July 1, 2027.</u> (5) <u>Secs. 24–48 (grand list assessment date) shall take effect on July 1, 2031, and shall apply to grand lists lodged after that date.</u> (6) <u>Notwithstanding 1 V.S.A. § 214, Sec. 56 (Vermont research and development tax credit) shall take effect retroactively on January 1, 2026, and shall apply to taxable years beginning on and after January 1, 2026.</u>	Effective Dates